

**COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
(CGEM)**

**INTERNAL RULES
OF THE AUDIT COMMITTEE**
(version in force, adopted on December 14, 2020)

Recitals

To enable the Supervisory Board, an independent supervisory body of CGEM's Management, to carry out its work as efficiently as possible in accordance with the legal provisions, the Supervisory Board set up a specialized committee to monitor issues relating to (i) the preparation and control of accounting and financial information, and (ii) risk management.

The Audit Committee acts under the authority of the Supervisory Board to which it reports; it has no decision-making power.

The Audit Committee's composition, roles, responsibilities and practices comply with the legal provisions and the recommendations of the Corporate Governance Code for Listed Companies of the AFEP and MEDEF (and its accompanying documents).

The purpose of these internal rules is to clarify the Audit Committee's roles, responsibilities and practices.

A summary of these rules is published on CGEM's website or in its Universal Registration Document.

1. Composition of the Committee

As is the case with the Supervisory Board, the Committee cannot comprise any of CGEM's executive officers.

The Audit Committee has at least three members of the Supervisory Board appointed by the latter for their full term as Board members. At least two-thirds of the members must be independent.

At least one member must have financial, accounting or statutory audit expertise.

Its Chairman is appointed by the Board from among its independent members, on the recommendation of the Compensation and Appointments Committee.

The Chairman of the Committee is responsible for preparing and leading the Committee's meetings.

2. The Committee's roles and responsibilities

The Audit Committee's responsibilities are defined by Article L823-19-II of the French Commercial Code:

(...)1° It monitors the financial reporting process and, where applicable, makes recommendations to ensure the integrity of such information;

2° It monitors the effectiveness of the internal control, risk management and, where applicable, internal audit systems relating to the preparation and processing of accounting and financial information, without compromising its independence;

3° It makes recommendations concerning the choice of Statutory Auditors to be appointed by the Shareholders' Meeting or the body exercising similar functions. This recommendation sent to the administrative or supervisory body is prepared in accordance with Article 16 of the aforementioned Regulation (EU) No. 537/2014; it also makes a recommendation to this body in the case of the re-appointment of the Statutory Auditor(s) under the conditions laid down in Article L. 823-3-1;

4° It monitors the performance of the Statutory Auditor's duties; as regards public interest entities, it takes into account the findings and conclusions of the High Council of Statutory Auditors following the audits carried out pursuant to Articles L. 821-9 et seq.;

5° It ensures that the Statutory Auditor complies with the independence conditions set out in Section 2 of Chapter II of this Title; as regards public interest entities, where appropriate, it takes the measures necessary for the application of paragraph 3 of Article 4 of the aforementioned Regulation (EU) No 537/2014 and ensures compliance with the conditions referred to in Article 6 of the said Regulation;

6° It approves, for public interest entities, the provision of the services referred to in Article L. 822-11-2;

7° It reports regularly to the administrative or supervisory body on its activities. It also reports on the findings of the Statutory Audit engagement, how this engagement has contributed to the integrity of the financial information and the role it has played in this process. It immediately informs it of any difficulties encountered.

In addition to the above-mentioned legal responsibilities, in accordance with the provisions of the AFEP/MEDEF Code and the role entrusted by the Board, the Committee's roles and responsibilities include:

A. Regarding the preparation of financial information:

- Reviewing the Group's annual, interim and consolidated financial statements, approved by the Managing Chairman and certified by the Statutory Auditors particularly regarding any audit adjustments identified and presented by the latter to the Audit Committee;
- Reviewing significant off-balance sheet commitments;
- Obtaining assurance that the Group's accounting methods and policies are appropriate;
- Ensuring the quality of the financial information preparation process, including by hearing the Statutory Auditors on the performance and conclusions of their review of this process;
- Reviewing the Statutory Auditors' annual audit programs and their implementation;
- Ensuring the independence and objectivity of the Statutory Auditors belonging to networks providing both audit and advisory services to Michelin, by assessing the amount of fees paid for these services; and in particular, at the request of the Supervisory Board, by applying the procedure laid down in Annex 1 of these rules

for the authorization and monitoring of non-audit services entrusted to the Statutory Auditors; this procedure is subject to an annual review by the Committee which authorizes its renewal for the following year;

- Leading the various stages of the Statutory Audit selection process and making a recommendation to the Board on the appointment and/or renewal of Statutory Auditors to be proposed to the Annual Shareholders Meeting.

B. Regarding the control of risk management processes:

- Reviewing the internal control, risk management and internal audit systems implemented by CGEM and as such:
 - assessing the effectiveness of these systems by taking into account any significant deficiencies identified by the Statutory Auditors during their assignment and reported to the Audit Committee,
 - monitoring the Group’s major risk exposure and sensitivity,
 - ensuring that a system of prevention and detection of corruption, influence peddling and fraud is put in place,
 - hearing the presentation of the Executive Vice President, Quality, Audit and Risk Management.
- Reviewing the Group’s risks, including risks related to the implementation of human resources policies and corporate social responsibility policies, assessing the effectiveness of measures taken to control these risks and examining their accounting treatment and the related disclosures in the Group’s communications;
- Ensuring that compliance rules are met;
- Carrying out, at the specific request of the Board, any study or analysis relating to the major risks and the resources available to prevent their occurrence and ensure business continuity;
- Assessing the failures or weaknesses reported to it and inform the Board, if necessary;
- Reviewing the Quality, Audit and Risk Management Department’s internal audit programs and recommending internal audits of specific financial risks (such as benefits, off-balance sheet, etc.);

3. Committee practices

A special item is included in the agenda for the decision by the Supervisory Board of the Committee’s annual work program and meeting schedule.

The items on the agenda of the Committee's meetings are determined by the Chairman of the Committee and the Chairman of the Supervisory Board, in liaison with the Chief Financial Officer.

The Committee meets at least four times a year. Two meetings are devoted to the review of the interim annual and consolidated accounts, before their review by the Supervisory Board.

The meetings of the Committee require the presence of at least half of its members. They may not be represented by another member.

The Audit Committee may ask the Chief Financial Officer to attend its meetings.

All the necessary documents to enable the members of the Committee to consider the items placed on the agenda shall be sent to them by the Chairman of the Supervisory Board, by postal or express mail or made available on a secure digital platform, within a reasonable period prior to the meeting. They may exceptionally be submitted at the meeting.

The Managers and/or the Chairman of the Supervisory Board, at the request of the Chairman of the Committee, may attend and participate in the Committee's meetings. Depending on the items on the agenda, the Chairman of the Committee may invite the Statutory Auditors and any director of the Group entities or departments to attend the meetings, after having first informed the Managing Chairman.

The Committee may request external technical studies on matters falling within its competence, after informing the Managing Chairman and reporting to the Supervisory Board.

If external advisory services are used, the Committee shall ensure that the advice provided is objective.

The Committee's meetings may be organized by secure video conference or other means of telecommunication enabling the identification of the members and ensuring their effective participation. These means transmit at least the voice of the participants and comply with technical specifications enabling the continuous and simultaneous transmission of the deliberations.

The participation of members in Committee meetings by video conference or other means of telecommunication is taken into account in the calculation of the quorum and majority.

The Chairman of the Committee shall report in writing to the Board on the work of each Committee meeting and shall present this report at the next meeting of the Supervisory Board and make any relevant comments.

The report of the Supervisory Board on corporate governance sets out a description of the Audit Committee's activities during the past year in compliance with the French Commercial Code and the AFEP/MEDEF Code.

APPENDIX 1

Approval by the Audit Committee of non-audit services (NAS)

A. Authorized NAS

a. List of authorized NAS based on the nature of the assignment (European Union):

1. *Mandatory services in accordance with local laws or regulations (e.g. in France: capital transactions, interim dividend distribution, company transformations, etc.)*
2. *Statements and findings following procedures agreed with the entity (e.g. in France: debt certificate, accounting balance, contractual declaration relating to relations or commitments vis-à-vis third parties, etc.)*
3. *Audits, reviews, agreed statements or procedures for producing financial and accounting information*
4. *Consultations, opinions, evaluations on matters relating to the financial statements, including accounting impacts or translation in the accounts of the entity's operations or planned operations*
5. *Services provided for acquisitions or planned acquisitions (due diligence)*
6. *Services provided for sales or planned sales (vendor due diligence)*
7. *Comfort letters for market transactions*
8. *Consultations, internal control reviews (e.g., assessment of the system, review of procedures manuals, procedure application review, review of the organization, etc.)*
9. *Consultations, opinions, evaluations on information systems and risk management (e.g., assessment of the system, review of procedures manuals, review of application procedure, review of the organization, etc.)*
10. *Analysis and review of the consequences of any change in the accounting standards or accounting regulations (evaluation, consultations, review of the system put in place by the entity, etc.)*
11. *Services relating to environmental and corporate social information*
12. *Training in accounting and finance or related to accounting and financial reporting*
13. *Consultations, opinions, transfer pricing compliance reviews*
14. *Review of tax and social security returns and tax or social security statement (depending on the final transposition into the local legislation)*
15. *Consultations, opinions, evaluations relating to planned strategic transformation/change, organization, digital and other areas not related to the preparation or control of financial information*

b. List of prohibited non-audit services (European Union):

- A) *tax services (save exercise by the EU country concerned of the legal option authorizing certain of these services) relating to:*
- i) *preparation of tax forms;*
 - ii) *payroll tax;*
 - iii) *customs duties;*
 - iv) *identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;*
 - v) *support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;*
 - vi) *calculation of direct and indirect tax and deferred tax;*
 - vii) *provision of tax advice;*
- B) *services that involve playing a part in the management or decision-making process of the audited entity;*
- C) *bookkeeping and preparing accounting records and financial statements;*
- D) *payroll services;*
- E) *designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;*

- F) valuation services, including valuations performed in connection with actuarial services or litigation support services;*
- G) legal services, with respect to:*
- i) the provision of general counsel;*
 - ii) negotiating on behalf of the audited entity; and*
 - iii) acting in an advocacy role in the resolution of litigation;*
- H) services related to the audited entity's internal audit function;*
- I) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;*
- J) promoting, dealing in, or underwriting shares in the audited entity;*
- K) human resources services, with respect to:*
- i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:*
 - searching for or seeking out candidates for such position; or*
 - undertaking reference checks of candidates for such positions;*
 - ii) structuring the organization design; and*
 - iii) cost control.*
- L) handling of funds or escrow services;*
- M) preparation of financial statements or reporting;*
- N) mergers and acquisitions appraisals;*
- O) payment, even in part, for outsourced services;*
- P) provision of legal advice and services for the purpose of drafting legal documents and performing legal secretarial services.*

c. Approach adopted for NAS outside the European Union:

Confirmation by the Statutory Auditors that the proposed assignment complies with the NAS rules, i.e.:

- Prohibition of the following three services: bookkeeping; preparing financial reporting and/or designing and implementing internal control or risk management procedures and financial IT systems related to financial information; management interference;
- Implementation of a “risks and safeguards” approach for other services.

d. Approval process

- Drawing up of a statement by the Statutory Auditors given to the Group Finance Department for each proposed assignment, which includes:
 - Confirmation that the independence principles are applied,
 - Confirmation (i) that it belongs to the list of authorized NAS provided in paragraph A) above for services provided in the EU, or (ii) that the services are not prohibited under the approach referred to in paragraph C) above for services provided outside the EU,
 - The amount of the fees,
 - Any other relevant information.
- “Ex post” annual reporting by the Group Finance Department and the Statutory Auditors to the Audit Committee of the NAS performed and compliance with the procedure;

- Annual reporting by the Chairman of the Audit Committee to the Supervisory Board;
- Annual approval by the Supervisory Board (at the beginning of the year for NAS performed during the previous year).

B. Other NAS above €100,000 excl. VAT:

- Drawing up of a statement by the Statutory Auditors given to the Group Finance Department for each proposed assignment, which includes:
 - Confirmation that the independence principles are applied,
 - Confirmation that the services are not prohibited according to (i) EU regulations and (ii) the approach adopted in paragraph A) c) above for services provided outside the EU,
 - The amount of the fees,
 - Any other relevant information.
- Approval of the Group Finance Department after consulting the Chief Financial Officer of the region concerned and reporting to the Chairman of the Audit Committee for decision;
- Authorization of the Chairman of the Audit Committee;
- Authorization given to the Statutory Auditors by the Group Finance Department to perform the proposed NAS;
- “Ex post” annual reporting by the Group Finance Department and the Statutory Auditors to the Audit Committee of the NAS performed and compliance with the procedure;
- Annual reporting by the Chairman of the Audit Committee to the Supervisory Board;
- Annual approval by the Supervisory Board (at the beginning of the year for NAS performed during the previous year).